



Why Magna Stock Could Soar in 2022

Description

Whether you own an electric vehicle (EV) or not, the EV revolution is happening. I don't just mean from companies seeking out future revenue either. Last summer, United States president Joe Biden signed an executive order. In it, he stated that automakers should aim to generate at least 50% of their [revenue](#) of EV sales by 2030.

These targets would now include battery-electric, fuel-cell electric, and plug-in hybrid vehicles. And it means a major overhaul for automakers. Now, you could dig into automakers themselves, but manufacturers, I believe, are the way to go.

And it's why today, I'm recommending **Magna International** ([TSX:MG](#))([NYSE:MGA](#)), as the EV stock that could soar in 2022.

Why Magna stock?

Magna stock has been moving [towards EV](#) use for a few years now. It partnered with **LG Electronics**, creating electric parts to be used in EVs, but also in internal combustion engine (ICE) vehicles. Motley Fool investors have already seen the company soar high back in 2021, when the original promise to move to electric came from Biden.

But since then, a huge number of issues have come the way of Magna stock. Supply-chain and semiconductor shortages hurt the company's bottom line during the last year. So, after shares hit 52-week highs back in the summer, since then those shares have collapsed by 14% as of writing.

Yet therein lies the opportunity. And it's one that analysts believe is a great deal for Motley Fool investors. Right now, the potential upside for this stock is a consensus target price of \$129. That's even higher than last year's 52-week highs! So, let's look at why analysts believe this stock could soar in 2022.

A “recovery story is coming”

Wells Fargo analyst Colin Langan recently raised Magna stock from “equal weight” to “overweight,” believing there will be a “multi-year margin recovery story” in the years to come.

Langan noted that 52% of Magna stock’s sales come from **Volkswagen, General Motors, Ford**, and Mercedes. Together, their sales should come in 9% lower in 2021 than the global market, he said.

“We also suspect that some of MGA’s most profitable vehicles are with these customers. Not surprisingly, MGA screens among the best of suppliers on customer, geographic & platform mix into 2022 as their key customers recover,” Langan said. “Secondly, MGA was impacted by rising commodities, particularly in its metals-heavy BES division. However, commodities have dipped down over the last two months, and if sustained, could provide an upside surprise.”

That’s all to say that supply-chain demands have hurt the global market and especially Magna stock’s clientele. Yet global production is set to climb significantly this year and through to 2025. Not to mention the shift that will continue towards to 50% goal set out for 2030. In fact, Langan believes earnings per share could reach US\$7.25 in 2022, up from estimates of US\$6.80 earlier last year.

Still cheap!

Magna stock ticks all the boxes. It’s in the EV industry, where there *will* be significant growth for long-term investors. It provides a cheap share price, down 14% from 52-week highs. And even compared to its earnings, it trades at 14.42 times earnings, putting it in value territory. Plus, there’s a nice, little 2.02% dividend yield to consider.

Analysts believe the company will recover from 2021 in 2022, as global production recovers as well. In fact, Langan believes Magna stock will generate \$1.8 billion in free cash flow this year. And that could be used for further buybacks and acquisitions.

Foolish takeaway

The EV revolution isn’t coming; it’s here. But you don’t have to worry about getting in late if you consider Magna stock. While the EV market accounts for less than 3% of global vehicle sales at writing, it should shoot up to at least 50% by 2050. So, Motley Fool investors wanting in on the action could see [incredible](#) gains through 2022 and well beyond.

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